

IRS News Release

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IRS Announces Steps to Improve EITC Administration, Seeks Public Comment

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WASHINGTON — IRS Commissioner Mark W. Everson today announced steps to improve the administration of the Earned Income Tax Credit (EITC). These steps are designed to both improve service to eligible EITC taxpayers and to reduce erroneous claims by taxpayers who do not meet the eligibility standards established by Congress. During his confirmation process and in recent testimony before Congress, Commissioner Everson pledged to enhance the IRS' service to taxpayers and to review a proposal in the President's budget to strengthen compliance in this area.

The EITC provides low-income taxpayers with a refundable credit. Approximately 19 million taxpayers claimed over \$32 billion of such credits on tax year 2002 returns. However, a recent study indicated that between \$8.5 billion and \$9.9 billion (27 percent to 31.7 percent) of EITC claims was paid erroneously in tax year 1999. The GAO has concluded that the EITC will remain one of the government's "high-risk" programs until the IRS designs and implements effective controls to deal with noncompliance and erroneous refunds in the billions of dollars.

Recognizing the importance of the EITC to millions of Americans, Commissioner Everson today is announcing a five-point EITC initiative to improve service, fairness and compliance with the EITC law. The five-point initiative will:

- reduce the backlog of pending EITC examinations to ensure that eligible taxpayers whose returns are being examined receive their refunds quickly,
- minimize burden and enhance the quality of communications with taxpayers by improving the existing audit process;
- encourage eligible taxpayers to claim the EITC by increasing outreach efforts and making the requirements for claiming the credit easier to understand,
- ensure fairness by refocusing compliance efforts on taxpayers who claimed the credit but were ineligible because their income was too high, and
- pilot a certification effort to substantiate qualifying child residency eligibility for claimants whose returns are associated with a high risk for error.

Henry Lamar, Wage and Investment Commissioner, will lead the effort in close coordination with National Taxpayer Advocate Nina E. Olson.

“This is a balanced initiative aimed at providing better service to taxpayers and improving the integrity of this important benefit program,” said Everson, who recently completed a review of the EITC program and toured the IRS’s EITC operations in Atlanta, GA. “During my review, I found that EITC audits are too time consuming and burdensome for taxpayers. The IRS needs to improve. I support the certification concept as a better way to serve taxpayers and ensure eligibility for this benefit.” Everson noted that under the refocused certification pilot, taxpayers will not have to establish their relationship with the qualifying child as had been previously proposed.

National Taxpayer Advocate Olson said: “The IRS initiative has twin objectives: (1) to reduce overpayments and (2) to improve participation in the EITC program. I am pleased that improving the participation rate remains an equally important priority. I believe the certification pilot will be very helpful in achieving both of these goals.”

The IRS today announced it would accept comments for 30 days on the certification pilot before it is implemented later this summer. During the comment period, the IRS will continue to work with Congress and other interested stakeholders to ensure the best possible program.

Announcement 2003-40, which requests the public comment on the residency certification pilot, is attached. Also included is Fact Sheet 2003-14.

“Our goal is for all taxpayers who are qualified, and only those who are qualified, to receive the EITC benefit. We are asking everyone who shares our commitment to the proper administration of the EITC to offer ideas to improve this crucial program,” Everson said.

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